

**RESOLUTIONS ADOPTED BY THE
CHICAGO INFRASTRUCTURE TRUST
BOARD OF DIRECTORS
ON JUNE 6, 2017**

MEETING MINUTES

RESOLVED, that the minutes of the meeting of the Board of Directors of the Chicago Infrastructure Trust (the “CIT”) held on February 7, 2017, in the form previously provided to the members of the Board of Directors, be and hereby are approved.

2016 ANNUAL AUDIT

RESOLVED, that the audited financial statements of the CIT as of and for the year ended December 31, 2016, together with the report thereon provided by Prado & Renteria, P.C., in the form previously provided to the members of the Board of Directors, be and hereby are accepted and approved.

EMPLOYEE HANDBOOK

WHEREAS, the Board of Directors previously authorized and approved an employee manual applicable to the staff of the CIT; and

WHEREAS, the Board of Directors has determined that it is appropriate to update and revise the previously approved employee manual (as updated and revised, the “Employee Handbook”);

NOW, THEREFORE, BE IT RESOLVED that the Employee Handbook, in the form previously provided to the members of the Board of Directors, be and hereby is accepted and approved.

GENERAL

RESOLVED, that in order to fully carry out the intent and effectuate the purposes of the foregoing resolutions, any of the CIT's officers be, and each hereby is, authorized to take all such further actions, and to execute and deliver all such further agreements, instruments, documents or certificates in the name and on behalf of the CIT, and under its corporate seal or otherwise, and to pay all such fees and expenses, which shall in their judgment be necessary, proper or advisable and to perform all of the obligations of the CIT in connection with the foregoing resolutions.

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EXHIBIT A
Financial Statements and Independent Auditors' Report
For the Year Ended December 31, 2016
(see attached)

CHICAGO INFRASTRUCTURE TRUST

**Financial Statements and
Independent Auditors' Report**

For the Year Ended December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-14



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Chicago Infrastructure Trust
Chicago, Illinois

We have audited the accompanying financial statements of **Chicago Infrastructure Trust (the "CIT")**, a nonprofit organization, which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Infrastructure Trust as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 12 to the financial statements, the 2015 financial statements have been restated due to omission, in the original 2015 financial statements, of the assets, liabilities and operations of the Retrofit One project. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the CIT's 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, as restated, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ramón A. Rentería

Chicago, Illinois
June 6, 2017

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
(with summarized comparative totals for 2015)

	<u>2016</u>	<u>Restated 2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$815,537	\$467,050
Restricted Cash for Energy Conservation Measures (ECM) debt	538,639	773,507
Investments	-	865,973
Grant receivable	325,000	-
Prepaid expenses	29,707	26,007
Total Current Assets	<u>1,708,883</u>	<u>2,132,537</u>
Fixed Assets		
Furniture and fixtures	12,822	12,822
Machinery and equipment	48,642	48,642
Software	68,000	68,000
ECM	13,785,200	-
Less Accumulated depreciation and amortization	13,914,664	129,464
Construction in Progress - ECM	(980,021)	(55,687)
Fixed assets, net	-	12,888,186
	<u>12,934,643</u>	<u>12,961,963</u>
Other Assets		
Security Deposit	2,558	2,558
TOTAL ASSETS	<u>\$14,646,084</u>	<u>\$15,097,058</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$553,185	\$170,429
Accrued expenses	11,322	61,372
Accrued interest	303,636	320,662
Deferred revenue	28,463	739,285
Capital lease obligations- short-term portion	13,035	15,876
ECM Notes and bonds payable- short-term portion	721,180	687,922
Total Current Liabilities	<u>1,630,821</u>	<u>1,995,546</u>
Long-Term Liabilities		
Capital lease obligations- long-term portion	-	13,230
ECM Notes and bonds payable- long-term portion	11,178,801	11,869,931
Due to City of Chicago	49,183	49,183
TOTAL LIABILITIES	<u>12,858,805</u>	<u>13,927,890</u>
Net Assets		
Unrestricted	1,787,279	1,016,065
Temporarily restricted	-	153,103
Total Net Assets	<u>1,787,279</u>	<u>1,169,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,646,084</u>	<u>\$15,097,058</u>

See Independent Auditors' Report and Notes to Financial Statements

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(but summarized comparative totals for 2015)

	Unrestricted	Temporarily Restricted	2016	Restated 2015
REVENUE				
Grant	\$1,300,000	-	\$1,300,000	\$1,313,395
Service fees	71,537	-	71,537	100,000
Retrofit One (ECM) energy saving fees	1,592,562	-	1,592,562	1,154,985
Interest and dividends	2,242	-	2,242	864
Net assets released from restrictions	<u>153,103</u>	<u>(153,103)</u>	-	-
TOTAL REVENUE	3,119,444	(153,103)	2,966,341	2,569,244
EXPENSES				
Program Services				
Project and Program Initiatives				
Salaries, wages and benefits	418,273	-	418,273	525,952
Professional fees: consultants	72,282	-	72,282	184,125
Computer and software	32,000	-	32,000	32,000
Interest expense	645,982	-	645,982	30,050
Depreciation	<u>902,158</u>	<u>-</u>	<u>902,158</u>	<u>22,667</u>
Total Program Services	<u>2,070,695</u>	<u>-</u>	<u>2,070,695</u>	<u>794,794</u>
Support Activities				
Salaries, wages and benefits	105,354	-	105,354	175,317
Professional fees: consultants	-	-	-	150,353
Professional fees: audit and accounting	41,338	-	41,338	94,413
Professional fees: IT support	15,700	-	15,700	14,640
Professional fees: website design	-	-	-	24,780
General and administrative	3,965	-	3,965	8,528
Office supplies and expenses	6,862	-	6,862	13,872
Committee expenses	2,627	-	2,627	1,262
Computer and software	2,773	-	2,773	2,355
Telephone and internet	5,089	-	5,089	10,278
Travel and meals	2,173	-	2,173	9,340
Occupancy	41,893	-	41,893	35,880
Insurance	27,586	-	27,586	36,665
Depreciation and amortization	<u>22,175</u>	<u>-</u>	<u>22,175</u>	<u>18,778</u>
Total Supporting Activities	<u>277,535</u>	<u>-</u>	<u>277,535</u>	<u>596,461</u>
TOTAL EXPENSES	<u>2,348,230</u>	<u>-</u>	<u>2,348,230</u>	<u>1,391,255</u>
Change in Net Assets	771,214	(153,103)	618,111	1,177,989
NET ASSETS				
Beginning of Year	1,016,065	153,103	1,169,168	44,712
Prior period adjustment (Note 12)	-	-	-	(53,533)
Beginning of Year, as restated	<u>1,016,065</u>	<u>153,103</u>	<u>1,169,168</u>	<u>(8,821)</u>
End of the Year	<u>\$1,787,279</u>	<u>-</u>	<u>\$1,787,279</u>	<u>\$1,169,168</u>

See Independent Auditors' Report and Notes to Financial Statements

CHICAGO INFRASTRUCTURE TRUST
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(with summarized comparative totals for 2015)

	2016	Restated 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$618,111	\$1,177,989
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	924,333	41,445
Amortization of debt issuance cost	30,050	30,050
(Increase) decrease in assets:		
Grant receivable	(325,000)	213,035
Prepaid expenses	(3,700)	(7,340)
Increase (decrease) in liabilities:		
Bank overdraft	-	(4,359)
Accounts payable	382,757	52,900
Accrued expenses	(50,050)	(926)
Accrued interest	(17,026)	320,662
Deferred revenue	<u>(710,822)</u>	<u>739,285</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>848,653</u>	<u>2,562,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments towards construction of ECM	(897,014)	(9,759,539)
Sales of investments	865,973	8,974,832
Restricted cash - ECM	<u>234,868</u>	<u>(773,507)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>203,827</u>	<u>(1,558,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of bond notes payable	(687,922)	(525,111)
Payment of capital lease obligation	<u>(16,071)</u>	<u>(13,204)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(703,993)</u>	<u>(538,315)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>348,487</u>	<u>466,212</u>
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>467,050</u>	<u>838</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$815,537</u>	<u>\$467,050</u>

Supplementary information:

Interest paid during the year:	\$632,958	\$171,513
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See Independent Auditors' Report and Notes to Financial Statements

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 – NATURE OF ACTIVITIES

Organization: The Chicago Infrastructure Trust (the "CIT") was incorporated as a non-profit organization on April 24, 2012 under executive order of the Mayor and City Council resolution. The CIT operates exclusively for civic and charitable purposes in the Chicago Metropolitan area and is a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code. The CIT assists the people of the City of Chicago, the City government and its sister agencies in providing alternative financing and project delivery options for transformative infrastructure projects.

The CIT was established in 2012 under the support of the City of Chicago, who agreed to supply the funding to commence operations. For the years ended December 31, 2016 and 2015 grants from the City of Chicago were the CIT's primary source of revenues in exchange for services rendered for the City of Chicago.

In 2014, the CIT entered into agreements with multiple parties to facilitate the Retrofit One project to provide Energy efficiency Conservation Measures (ECM) in more than 60 municipal buildings. The City of Chicago (City), per the terms of an Energy Services Agreement (ESA) between the City and the CIT, agreed to make payments to the CIT equivalent to the actualized utility cost savings achieved by the project. Further, the energy savings of the project are guaranteed by the Contractors responsible for the installation of the Energy Conservation Measures, as evidenced by Guaranteed Energy Performance Contracts (GEPCs) executed by the contractors and the CIT. The Retrofit One project was financed through a loan and security agreement, as detailed in Note 7. The Retrofit One financing is a special, limited obligation of the CIT, secured only by project specific revenues and equipment with debt service obligations sized to the project's guaranteed energy cost savings.

Per the agreements, the CIT will retain title to all the Energy Conservation Measures through the term of the loan and security agreement.

In the originally issued financial statements for 2014 and 2015 CIT did not include the assets, liabilities, and operations of the Retrofit One project. In 2016, it was determined that such operations are appropriately a part of the CIT's financial statements. Accordingly, the 2015 financial statements have been restated to include such operations. See note 12 for the effect of such restatement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the CIT have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation: The CIT presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the CIT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, information is required to segregate program service expenses from support and fundraising expenses.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The CIT considers cash on deposit at bank(s) to be cash equivalents.

Investments: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation; other securities traded in the over the counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Realized and unrealized gains and losses resulting from changes in the fair value of securities held are reflected in the statement of activities, in the year of change.

The CIT may invest in various investments. Such investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of activities.

The CIT had no investments at December 31, 2016.

Fair Value of Financial Instruments: FASB Guidance, Fair Value Measurement Overall Disclosure, requires the CIT to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the CIT's financial instruments.

The carrying value of cash and cash equivalents, receivables, other assets approximate fair value due to the short maturity of these instruments.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition: Grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until they become unconditional: that is, when the conditions on which they depend are substantially met. Service revenues are recognized at project completion.

Grants Receivable: Receivables are reported net of an allowance for doubtful accounts, if any. Management's estimate of the allowance is based on historical collection experience and a review of the current status of grants receivable. It is reasonably possible that management's estimate of the allowance will change. There was no allowance against grants receivable at December 31, 2016.

Capitalization and depreciation: Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed. The assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

	Estimated Useful Life	Method
Furniture and fixtures	5 years	Straight-line
Machinery and equipment	3 years	Straight-line
Energy Conservation Measures (ECM)	14 years	Straight-line

Interest during the ECM construction period was capitalized. For the year ended December 31, 2015, interest in the amount of \$1,119,659 was capitalized.

Impairment of long-lived assets: The CIT reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses were recognized during 2016 and 2015.

Prepaid Expenses: Advance payments for expenses related to subscriptions and insurance policies are classified as prepaid expenses.

Net Assets: The CIT classifies its net assets, and support based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Temporarily restricted net assets: Net assets represent resources for which use has been temporarily restricted by the donor as to its usage or by the passage of time. When a donor restriction has been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets: Net assets represent resources that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the CIT. The CIT had no permanently restricted net assets during the years ended December 31, 2016 and 2015.

Leases: Lease expenses are recorded based on the payments required by the lease agreement. Accounting principles generally accepted in the United States of America require that the lease payments be straight-lined over the life of the lease; however, the effect of using actual lease payments is not materially different from the results that would have been obtained under the straight-line method.

Income Taxes: The CIT has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2016 and 2015. Due to its tax exempt status, the CIT is not subject to income taxes, but is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the CIT has no other tax positions which must be considered for disclosure. Income tax returns filed by the CIT are subject to examination by the Internal Revenue Service for a period of three years. While no tax returns are currently being examined by the Internal Revenue Service, tax years since 2013 remain open.

Comparative Financial Information: The financial statements include prior-year summarized comparative information. Such information does not include sufficient data to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the CIT's financial statements for the year ended December 31, 2015, as restated, from which the summarized information was derived.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs benefited, as well as administrative functions.

Debt Issuance Costs, Adoption of ASU 2015-03: In 2016, the CIT retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications: Certain amounts in the December 31, 2015 Financial Statements have been reclassified to conform to the current presentation.

NOTE 3 – CASH DEPOSITS

The CIT maintains its cash and cash equivalents in bank deposits and is insured within limits of the Federal Deposit Insurance Corporation. At certain times during the year, cash balances exceed the insured amounts. At December 31, 2016 and 2015, the uninsured bank balance was \$872,800 and \$740,607, respectively. The CIT has not experienced any losses in such accounts. The CIT's management believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 – INVESTMENTS

Investments consist of Prime Money Market Funds and are reported at fair value as noted in Note 5. The investment funds are required to be maintained in separate accounts and restricted for the construction of assets outlined in an agreement dated April 11, 2014. See Note 1 for additional information.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including options pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair measurement in its entirety requires judgment, and considers factors specific to the investment.

The CIT assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the CIT's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2016 and 2015, there were no such transfers.

The following table presents the CIT's investments accounted for at fair value as of December 31, 2015 using the fair value hierarchy:

	Fair Value Measurement			
	Level 1	Level 2	Level 3	Total
	\$ 865,973	\$ -	\$ -	\$ 865,973
Prime Money Market Fund				

The CIT had no investments at December 31, 2016.

NOTE 6 – LEASE COMMITMENTS

Facilities: The CIT entered into a three-year operating lease beginning August 1, 2014 and ending July 31, 2017, for office space at 35 East Wacker Drive, Suite 1450, Chicago, Illinois in the amount of \$2,558 per month plus certain occupancy costs, which escalates annually on August 1. Rent expenses for the years ended December 31, 2016 and 2015 totaled \$40,213 and \$32,661, respectively.

Equipment: The CIT also leases office equipment under one operating lease for total annual lease payments of \$6,624 and one capital lease, both with initial lease terms in excess of one year.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 6 – LEASE COMMITMENTS - Continued

The operating lease expense for office equipment for the years ended December 31, 2016 and 2015 totaled \$6,187 and \$6,624, respectively.

At December 31, 2016 and 2015 capital lease asset balances are as follows:

	<u>2016</u>	<u>2015</u>
Leased office equipment	\$ 48,642	\$ 48,642
Less accumulated amortization	(37,833)	(21,619)
Leased office equipment, net	<u>\$ 10,809</u>	<u>\$ 27,022</u>
Amortization expense	<u>\$ 16,214</u>	<u>\$ 16,114</u>

Future minimum lease payments under these commitments are as follows:

Years Ending <u>December 31,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2017	24,790	19,659	44,449
2018	-	6,624	6,624
2019	-	3,864	3,864
	<u>\$ 24,790</u>	<u>\$ 30,147</u>	<u>\$ 54,937</u>

NOTE 7 – ECM NOTES AND BONDS PAYABLE

The CIT entered into a loan and security agreement dated April 11, 2014 to issue Retrofit One Project Revenue Notes, Series 2014. These funds were used to construct and install Energy Conservation Measures.

Notes and bonds payable at December 31, 2016 and 2015 are as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Less debt issuance costs</u>	<u>2016 Total</u>
Tax Exempt Revenue Note 2014 Series A	2029	4.95%	\$ 6,178,416	\$ 184,056	\$ 5,994,360
Tax Exempt Revenue Note 2014 Series B	2029	4.95%	2,451,983	184,057	2,267,926
Tax Exempt Revenue Note 2014 Series C	2029	4.95%	3,637,695	-	3,637,695
			<u>\$ 12,268,094</u>	<u>\$ 368,113</u>	<u>\$ 11,899,981</u>
Less: Current portion					(721,180)
TOTAL LONG-TERM ECM NOTES AND BONDS PAYABLE					<u><u>\$ 11,178,801</u></u>

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 7 – ECM NOTES AND BONDS PAYABLE - Continued

	Maturity	Interest Rate	Principal amount	Less debt issuance costs	2015 Total
Tax Exempt Revenue Note 2014 Series A	2029	4.95%	\$ 6,529,637	\$ 199,081	\$ 6,330,556
Tax Exempt Revenue Note 2014 Series B	2029	4.95%	2,587,456	199,082	2,388,374
Tax Exempt Revenue Note 2014 Series C	2029	4.95%	3,838,923	-	3,838,923
			\$ 12,956,016	\$ 398,163	\$ 12,557,853
Less: Current portion					(687,922)
TOTAL LONG-TERM ECM NOTES AND BONDS PAYABLE					\$ 11,869,931

Long term debt and notes payable are collateralized by the Energy Conservation Measures, the revenues and moneys and investments held from time to time in the Retrofit One accounts.

Future minimum principal payments over next five years are as follows:

<u>Years Ending December 31,</u>	
2017	\$ 721,180
2018	756,097
2019	792,730
2020	831,180
2021	871,528
All other years	<u>8,295,379</u>
TOTAL	<u>\$ 12,268,094</u>

Interest expense, including debt issuance costs, for the years ended December 31, 2016 and 2015 was \$645,982 and \$30,050, respectively.

NOTE 8 – CONCENTRATIONS

A substantial portion of the CIT's revenue was received from the City of Chicago. Substantial revenue is defined as revenue earned from any source that is in excess of 10% of the total revenue of the CIT. For the period ended December 31, 2016 and 2015, revenue earned from the City of Chicago was 100% and 96%, respectively, of total revenue. Should the City of Chicago discontinue funding the CIT, and the CIT not receive other awarded grants, the CIT will require additional sources of financing.

**CHICAGO INFRASTRUCTURE TRUST
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NOTE 9 – GRANTS

During the year ended December 31, 2015, the CIT was awarded grants from the City of Chicago in the amount of \$2,585,000 of which \$1,300,000 was awarded for the year ending December 31, 2016.

Grants are subject to grantor audits, which could result in claims against the CIT for disallowed costs or noncompliance with grantor restrictions.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$0 and \$153,103 as of December 31, 2016 and 2015 respectively, are available for the CIT as defined in the grantor's agreement.

NOTE 11 – UNCERTAINTIES

At December 31, 2016, an amount of approximately \$150,000 is included in accounts payable which are for fees and expense reimbursement claimed in 2015. As of the date of this report, such claims remained pending.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During 2016, the 2015 financial statements have been restated to include transactions for the CIT's Retrofit One project, see Note 1. The effects of this restatement are as follow:

	<u>As Originally Reported 2015</u>	<u>Prior Period Adjustment</u>	<u>Restated 2015</u>
Total Current Assets	\$ 474,390	\$ 1,658,147	\$ 2,132,537
Total Fixed Assets	35,999	12,925,964	12,961,963
Total Assets	512,947	14,584,111	15,097,058
Total Liabilities	327,607	13,600,283	13,927,890
Total Net Assets	185,340	983,828	1,169,168
Revenue	1,413,395	1,155,849	2,569,244
Expense	1,272,767	118,488	1,391,255
Change in Net Assets	140,628	1,037,361	1,177,989
Net Assets as of January 1, 2015	44,712	(53,533)	(8,821)

NOTE 13 – SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through June 6, 2017, the date the financial statements were available to be issued and determined that there were no significant subsequent events to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.